

The Mosaic Special Situations Fund returned 1.0% in April, compared with the 1.1% increase of the S&P/ASX All Ordinaries Accumulation Index. In a relatively quiet month, the most significant news came from RNY Property Trust (RNY).

- RNY has now finalised a refinancing arrangement for its US\$196m loan on terms identical to those outlined in the March Quarterly Report. The deal leaves unitholders with an additional US\$28m chunk of equity and ownership of a highly leveraged US\$196m US commercial property portfolio for a further five years. The new debt is still non-recourse to RNY's other property and RNY will continue negotiations to refinance the US\$52m debt related to the final outstanding property tranche.

RNY now has most of its financing in place until 2016 and 2017 and management will be able to focus on improving occupancy and realising value for unitholders during the next few years. Distributions are unlikely, most of the cash will be reinvested into the portfolio to attract tenants and prepare for an eventual sale. RNY units closed at 15.5c, up 11% for the month.

- In an attempt to put the recent torrid events behind it, Photon Group (PGA) is proposing to change its name to Enero, the Spanish phrase for January, and undertake an 18 for 1 share consolidation. Such initiatives are usually a waste of time and money, but PGA needs a fresh start if ever a company needed one and the Manager believes it is unlikely to cause any harm.

More importantly, former Austar CEO John Porter was appointed new Chairman and Steve Gatfield of Naked Communications was appointed Executive Director. Both appointments are positive for Photon and Porter's apparent purchase of some 5 million shares is a vote of confidence. He'll have his work cut out, as the financial performance continues to be dreadful. Earnings before interest, tax, depreciation and amortisation fell 45% for the first 9 months of the financial year in its Australian Agencies division, when compared with last year's already soft results. Photon's share price closed at 4.8c, up 9% for the month.

- RCU has now conducted the 'second round' of its capital raising and the Fund has participated after taking no action in the first round. Participation in the first round of the entitlements offer, which unitholders were free to sit on the sideline and watch, was higher than the Manager anticipated with approximately 50% of the old register taking up rights. The strong showing made it unlikely, if the Fund participated in the second round, that Frost Holdings (RCU's largest unitholder) would attain a stake significantly exceeding 30% of the new register. With the control issues mitigated, the Manager believes that the investment case now stacks up favourably. Units in RCU closed the month down 2% at \$0.405 per unit.
- During April, rumours emerged that electricity distributor Spark Infrastructure was one of the bidders for the \$2 billion Sydney desalination plan. It was a development the Manager viewed as unattractive and dilutive of the excellent value in its existing assets. Fortunately, after month end, the Hastings and Ontario Teachers Pension Plan consortium was announced as the winning bidder and Spark, for now, remains a pure electricity distributor.

Performance Data as at	30/04/2012
1 month	0.95%
3 months	9.71%
6 months	9.04%
1 year	3.52%
2 years (p.a.)	6.29%
3 years (p.a.)	18.17%
5 years (p.a.)	3.71%
Since Inception (p.a.)*	3.82%
Net Asset Value (\$)	1.0300
Fund Size (\$ million)	36.13

\* Inception date of Fund 30/09/2004

Top 10 Portfolio Holdings	%
Cash	30.17%
QBE Insurance Group Ltd	10.23%
Infigen Energy	7.83%
UXC Limited	7.60%
RNY Property Trust	7.01%
Photon Group Limited	6.34%
ING Real Estate Community Living	6.33%
Spark Infrastructure Group	6.03%
Tassal Group Limited	3.58%
Real Estate Capital Partners USA	3.45%
Other holdings	11.43%
TOTAL	100.00%

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